



THE CITY OF SAN DIEGO

DATE: June 18, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – May 2010**

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of May 2010. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

Audit Reports and Accomplishments:

- May 4, 2010 – Issued a memo regarding the Audit Committee's proposal to move \$100,000, which was allocated for an audit of the Water and Wastewater Departments, from the Independent Rates Oversight Committee (IROC) to the Office of the City Auditor's budget, for the City Auditor to work with IROC as its audit resource. The IROC Chair and Public Utilities staff were both agreeable to having the City Auditor use the \$100,000 to perform an audit in consultation with IROC. This memo can be found on our website at:
http://www.sandiego.gov/auditor/reports/memo_pdf/iroc_memo.pdf
- May 6, 2010 – Issued a memo regarding the Audit Committee's request that City Auditor staff meet with Public Utilities Department officials and engineering consultants to discuss the feasibility of benchmarking their Bid to Goal program's gainsharing goals. We provided six options with proposed methodologies and cost estimates to review the goals. This memo can be found on our website at:
http://www.sandiego.gov/auditor/reports/memo_pdf/b2g_gainsharing_proposals.pdf
- May 7, 2010 – Issued a memo regarding the Audit Committee's request for the City Auditor to evaluate a proposal to consolidate the Revenue Audit positions from the City Treasurer's Office into the Office of the City Auditor. This memo can be found on our website at:
http://www.sandiego.gov/auditor/reports/memo_pdf/revenue_audit_division_memo.pdf

Audit Reports and Accomplishments (Continued):

- May 10, 2010 – Presented to the Audit Committee options to assess the reasonableness and challenge level of gainsharing goals for the Bid to Goal program. The presentation can be found on our website at:
http://www.sandiego.gov/auditor/reports/memo_pdf/b2g_gainsharing_proposals_pres.pdf
- May 10, 2010 – Presented to the Audit Committee the results of our Performance Audit of the City Treasurer's Investments Division. The presentation can be found on our website at:
http://www.sandiego.gov/auditor/reports/memo_pdf/trsr_invstmnts_audit_pres.pdf
- May 10, 2010 – Presented to the Audit Committee the results of our Recommendation Follow-Up Report. The presentation can be found on our website at:
http://www.sandiego.gov/auditor/reports/memo_pdf/rec_fllw-up_pres.pdf

Peer Review

We contacted the Association of Local Government Auditors (ALGA) to perform our peer review for the period July 1, 2008 through June 30, 2010, and it will be conducted October 25, 2010 through October 29, 2010. Under Government Auditing Standards, the Office of the City Auditor is required to have an external peer review conducted at least once every three years.

Current Audits and Activities:

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Audit of Development Services' Process for the Collection of Public Utilities Fees	The objective of this audit is to determine if Development Services has adequate procedures in place to ensure the proper collection of Public Utilities fees. A draft report was provided to management for review on March 18 and the exit conference was held on April 9. As a result of documentation provided at the exit meeting, additional fieldwork was required. A revised draft report has been presented to City management for review, and the report will be issued once a written response is provided.	June 2010	1,257	880
Enterprise Resource Planning (ERP) System Implementation Review	The objectives of this audit are: (a) determine if the City's key financial activities were adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system (b) determine if the system was adequately tested prior to implementation and (c) review high risk interfaced and impacted systems post SAP go-live. Audit fieldwork is in progress. One report has already been issued during this audit.	July 2010	2,743	3,207

Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
General Services - Streets Division Roadways Audit (Part I & II)	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. Audit fieldwork is in progress. We issued a report on Part I, and we plan to issue one additional report. We combined work scheduled for a third report into the CIP audit to eliminate duplication of effort. Our preliminary testing uncovered risks which required additional audit testing. As a result, this audit will exceed the budgeted hours allocated to this project.	Part II July 2010	2,507	1,374
Close-out Audits	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are currently conducting close-out audits for Nader Tirandazi, former Financial Management Director, and Jim Barrett, former Public Utilities Director. We have used 24 hours on these audits, and 117 hours on three previous close-out audits, for a total of 141 hours used this fiscal year.	July 2010	141	240

Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
City Treasurer - Delinquent Account Collections Audit	The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. We issued a report in December 2009 regarding Development Services' lack of referrals to City Treasurer for collection efforts. Audit fieldwork for a second and final report is in progress.	July 2010	621	621
Fire Rescue – Fire Prevention Audit	The objective of this audit is to assess the efficiency and effectiveness of the City's fire prevention program. Fieldwork is nearly completed and audit report writing is in progress.	July 2010	760	920
Risk Management – Public Liability and Loss Recovery Audit	The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported. Fieldwork is nearly completed and audit report writing is in progress.	July 2010	1,026	880
Capital Improvement Projects Audit	The objective of this audit is to determine the extent to which the City effectively initiates, prioritizes, and implements CIP projects. Audit fieldwork is in progress.	Part I July 2010	1,180	1,880

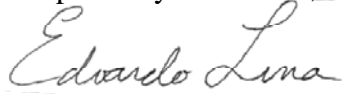
Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Fraud, Waste and Abuse Hotline	We review and administer the City's Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on fraud related allegations that are substantiated. During the month of May, there were 4 new Hotline calls received.	On-going	1,214 (Fiscal Year 2010 Hours)	1,660 (Fiscal Year 2010 Hours)
Follow-up on Audit Report Recommendations	We have created a database to track all of our audit recommendations made since FY08. We provided our database to City Comptroller staff for follow-up. Comptroller staff contacts those responsible for implementing our recommendations and provides status data to the City Auditor on all recommendations. We then verify if recommendations have actually been implemented. We plan to issue our next semi-annual follow-up report in August 2010.	On-going	546	600

Planned FY10 Audits Not Yet Started (as of May 31, 2010):

Planned Audit	Estimated Audit Hours
City Treasurer – Parking Administration Audit	640
Police Department – Fiscal Services (Animal Services Contract) Audit	600
City Comptroller / Personnel Department – Payroll Audit	1,280
Risk Management – Workers’ Compensation Audit	1,200
Annual Central Stores Inventory Audit FY10	45

Respectfully Submitted,



Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
Mary Lewis, Chief Financial Officer
Ken Whitfield, City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst